

CHAPTER 214**STATE FINANCIAL PROVISIONS****S.F. 475**

AN ACT relating to state financial provisions and providing applicability provisions and effective dates.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I**CAPITAL PROJECT AND LEASE-PURCHASE REQUIREMENTS**

Section 1. Section 2.47A, subsection 1, paragraph d, Code 1995, is amended to read as follows:

d. Receive ~~semiannual~~ annual status reports for all ongoing capital projects of state agencies, pursuant to section 18.12, subsection 15.

Sec. 2. Section 8.46, Code 1995, is amended to read as follows:

8.46 LEASE-PURCHASE - REPORTING.

1. For the purposes of this section, unless the context otherwise requires, ~~state:~~

a. "Installment acquisition" includes, but is not limited to, an arrangement in which title of ownership passes when the first installment payment is made.

b. "Lease-purchase arrangement" includes, but is not limited to, an arrangement in which title of ownership passes when the final installment payment is made.

c. "State agency" means any executive, judicial, or legislative department, commission, board, institution, division, bureau, office, agency, or other entity of state government.

~~1-2.~~ Before At least thirty days prior to entering into a contract involving a lease-purchase or installment acquisition arrangement in which any part or the total amount of the contract is at least fifty thousand dollars, a state agency shall notify the legislative fiscal bureau concerning the contract. The legislative fiscal bureau shall compile the notifications for submission to the legislative fiscal committee of the legislative council regarding the contract. The notification is required regardless of the source of payment for the lease-purchase or installment acquisition arrangement. The notification shall include all of the following information:

a. A description of the object of the lease-purchase or installment acquisition arrangement.

~~b. The cost of the contract.~~

~~e.b.~~ The proposed terms of the contract.

~~d.c.~~ The total cost of the contract, including principal and interest costs. If the actual cost of a contract is not known at least thirty days prior to entering into the contract, the state agency shall estimate the principal and interest costs for the contract.

~~e.d.~~ An identification of the means and source of payment of the contract.

~~f.e.~~ An analysis of consequences of delaying or abandoning the commencement of the contract.

~~2-3.~~ The legislative fiscal committee shall report to the legislative council concerning the notifications it receives pursuant to this section.

~~3.~~ A state agency shall report quarterly to the legislative fiscal committee concerning its contracts involving a lease-purchase arrangement. The format of the report shall be determined by the legislative fiscal bureau in consultation with the department of management. The report shall include all of the following information:

~~a.~~ A description of the objects of a lease-purchase arrangement under contract.

~~b.~~ The total costs of the contracts.

~~e.~~ Total principal and interest cost in each fiscal year of each contract.

~~d.~~ An identification of the means and source of payment for each contract.

Sec. 3. Section 18.12, subsection 15, Code 1995, is amended to read as follows:

15. Prepare ~~semiannual~~ **annual** status reports for all ongoing capital projects of all state agencies, as defined in section 8.3A, and submit the status reports to the legislative capital projects committee.

DIVISION II REVENUE ESTIMATING

*Sec. 4. Section 8.21, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. *Unless a collective bargaining agreement, as referred to in section 20.17, subsection 10, between a state public employer and the state employee organization which represents the largest number of state employees, providing for salary adjustment for the ensuing fiscal year is being negotiated at the time required for transmission of the governor's budget, the portion of the governor's budget for the ensuing fiscal year which provides the details of recommended appropriations and a draft appropriation bill for adjustment of state employee salaries shall be submitted to the general assembly on or before March 1 of the legislative session. If a collective bargaining agreement, as referred to in section 20.17, subsection 10, between a state public employer and the state employee organization which represents the largest number of state employees, providing for salary adjustment for the ensuing fiscal year is being negotiated at the time required for transmission of the governor's budget, the portion of the governor's budget for the ensuing fiscal year which provides the details of recommended appropriations and a draft appropriation bill for adjustment of state employee salaries shall be submitted to the general assembly within thirty days of the date by which the collective bargaining agreement between the state public employer and the state employee organization is completed, either through agreement or arbitration or prior to the date of final adjournment of that legislative session, whichever is earlier.**

Sec. 5. Section 8.22A, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 5. At the meeting in which the conference agrees to the revenue estimate for the succeeding fiscal year in accordance with the provisions of subsection 3, the conference shall also agree to the following estimate which shall be used by the governor and the general assembly in preparation of the budget message under section 8.22 and the general assembly in the budget process for the succeeding fiscal year:

The amount of lottery revenues for the following fiscal year to be available for disbursement following the deductions made pursuant to section 99E.10, subsection 1.

***NEW SUBSECTION.** 6. *At the meeting in which the conference agrees to the revenue estimate for the succeeding fiscal year in accordance with the provisions of subsection 3, the conference shall also agree to a preliminary projection of the amount of the appropriation necessary for the succeeding fiscal year to fund the medical assistance program under chapter 249A. This preliminary projection shall be developed based upon the state and federal requirements for the medical assistance program in effect at the time the projection is made unless the members of the revenue estimating conference agree to assume different requirements for purposes of developing the projection. As a preliminary projection, it shall be used as the basis for later projections deemed necessary by the governor or used by the general assembly, which are developed due to revised budget assumptions, proposed policy revisions, or other adjustments.**

DIVISION III STATE PAYMENT PROVISIONS

Sec. 6. Section 282.31, subsection 1, Code 1995, is amended to read as follows:

1. a. A child who lives in a facility pursuant to section 282.30, subsection 1, paragraph

"a", and who is not enrolled in the educational program of the district of residence of the child, shall receive appropriate educational services. The area education agency shall submit a proposed program and budget to the department of education by January 1 for the next succeeding school year. The department of education shall review and approve or modify the program and proposed budget and shall notify the department of revenue and finance and the area education agency of its action by February 1. ~~Beginning with the fiscal year commencing July 1, 1990, and ending June 30, 1991, and in succeeding years, the~~ The department of revenue and finance shall pay the approved budget amount for an area education agency in monthly installments beginning September 15 and ending June 15 of the next succeeding school year. The installments shall be as nearly equal as possible as determined by the department of management, taking into consideration the relative budget and cash position of the state's resources. The department of revenue and finance shall transfer the approved budget amount for an area education agency from the moneys appropriated under section 257.16 and make the payment to the area education agency. The area education agency shall submit an accounting for the actual cost of the program to the department of education by August 1 of the following school year. The department shall review and approve or modify all expenditures incurred in compliance with the guidelines pursuant to section 256.7, subsection 10, and shall notify the department of revenue and finance of the approved accounting amount. The approved accounting amount shall be compared with any amounts paid by the department of revenue and finance to the area education agency and any differences added to or subtracted from the October payment made under this paragraph for the next school year. Any amount paid by the department of revenue and finance shall be deducted monthly from the state foundation aid paid under section 257.16 to all school districts in the state during the remainder of that subsequent fiscal year to all school districts in the state. The portion of the total amount of the approved budget that shall be deducted from the state aid of a school district shall be the same as the ratio that the budget enrollment for the budget year of the school district bears to the total budget enrollment in the state for that budget year in which the deduction is made.

b. A child who lives in a facility or home pursuant to section 282.19, and who does not require special education and who is not enrolled in the educational program of the district of residence of the child, shall be included in the basic enrollment of the school district in which the facility or home is located.

However, on June 30 of a school year, if the board of directors of a school district determines that the number of children under this paragraph who were counted in the basic enrollment of the school district on the third Friday of September of that school year is fewer than the sum of the number of months all children were enrolled in the school district under this paragraph during the school year divided by nine, the secretary of the school district may submit a claim to the department of education by August 1 following the school year for an amount equal to the district cost per pupil of the district for the previous school year multiplied by the difference between the number of children counted and the number of children calculated by the number of months of enrollment. The amount of the claim shall be paid by the department of revenue and finance to the school district by October 1. The department of revenue and finance shall transfer the total amount of the approved claim of a school district from the moneys appropriated under section 257.16 and the amount paid shall be deducted monthly from the state foundation aid paid to all school districts in the state during the remainder of that the subsequent fiscal year to all school districts in the state in the manner provided in paragraph "a".

Sec. 7. Section 282.31, subsection 3, Code 1995, is amended to read as follows:

3. The actual special education instructional costs, including transportation, for a child who requires special education shall be paid by the department of revenue and finance to the school district in which the facility or home is located, only when a district of residence cannot be determined, and the child was not included in the weighted enrollment of

any district pursuant to section 256B.9, and the payment pursuant to subsection 2, paragraph "a" was not made by any district. The district shall submit a proposed program and budget to the department of education by January 1 for the next succeeding school year. The department of education shall review and approve or modify the program and proposed budget and shall notify the district by February 1. The district shall submit a claim by August 1 following the school year for the actual cost of the program. The department shall review and approve or modify the claim and shall notify the department of revenue and finance of the approved claim amount by September 1. The total amount of the approved claim shall be paid by the department of revenue and finance to the school district by October 1. The total amount paid by the department of revenue and finance shall be deducted monthly from the state foundation aid paid under section 257.16 to all school districts in the state during the ~~remainder of that subsequent~~ fiscal year ~~to all school districts in the state~~. The portion of the total amount of the approved claims that shall be deducted from the state aid of a school district shall be the same as the ratio that the budget enrollment for the budget year of the school district bears to the total budget enrollment in the state for the budget year in which the deduction is made. The department of revenue and finance shall transfer the total amount of the approved claims from moneys appropriated under section 257.16 for payment to the school district.

Sec. 8. Section 421.31, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 11. FEDERAL CASH MANAGEMENT IMPROVEMENT ACT ADMINISTRATOR. To serve as administrator for state actions relating to the federal Cash Management and Improvement Act of 1990, Pub. L. No. 101-453, as codified in 31 U.S.C. § 6503. The director shall perform the following duties relating to the federal law:

a. Act as the designated representative of the state in the negotiation and administration of contracts between the state and federal government relating to the federal law.

b. Modify the centralized statewide accounting system and develop, or require to be developed by the appropriate departments of state government, the necessary reports and procedures necessary to complete the managerial and financial reports required to comply with the federal law.

Sec. 9. Section 260D.12, as amended by 1994 Iowa Acts, chapter 1181, section 13, is amended to read as follows:

260D.12 PAYMENT OF APPROPRIATION.

Payment of appropriations for distribution under this chapter or of appropriations made in lieu of such appropriations, shall be made by the department of revenue and finance in ~~four monthly~~ installments due on or about ~~November 15, February 15, May 15, and August 15~~ the fifteenth day of each month of a budget year, and installments shall be as nearly equal as possible, as determined by the department of revenue and finance, taking into consideration the relative budget and cash position of the state resources.

Sec. 10. 1994 Iowa Acts, chapter 1181, section 18, is amended to read as follows:

SEC. 18. CONTINGENT EFFECTIVE DATE. Sections 12, 13, 14, and 15 of this division shall take effect ~~upon the publication date of the state comprehensive annual financial report prepared in accordance with generally accepted accounting principles which indicates that the payment of the obligation described in the section is made in accordance with generally accepted accounting principles~~ July 1, 1995. A report shall be made by the department of management ~~to the Code editor on or before the publication date of the report~~.

Sec. 11. **EFFECTIVE DATE.** Section 9 of this division of this Act, amending section 260D.12, takes effect July 1, 1995, and the remainder of the division, being deemed of immediate importance, takes effect upon enactment.

DIVISION IV
CASH RESERVE AND SPECIAL FUNDS

Sec. 12. Section 8.55, subsection 3, Code 1995, is amended* to read as follows:

3. The moneys in the Iowa economic emergency fund may be appropriated by the general assembly only in the fiscal year for which the appropriation is made. The moneys shall only be appropriated by the general assembly for emergency expenditures. However, except as provided in section 8.58, the balance in the Iowa economic emergency fund may be used in determining the cash position of the general fund of the state for the payment of state obligations.

Sec. 13. Section 8.55, subsection 4, Code 1995, is amended to read as follows:

4. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the Iowa economic emergency fund shall be credited to the rebuild Iowa economic emergency infrastructure fund.

Sec. 14. Section 8.56, subsection 1, Code 1995, is amended to read as follows:

1. A cash reserve fund is created in the state treasury. The cash reserve fund shall be separate from the general fund of the state and shall not be considered part of the general fund of the state except in determining the cash position of the state as provided in subsection 3. The moneys in the cash reserve fund are not subject to section 8.33 and shall not be transferred, used, obligated, appropriated, or otherwise encumbered except as provided in this section. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the cash reserve fund shall be credited to the rebuild Iowa economic emergency fund infrastructure fund created in section 8.57. Moneys in the cash reserve fund may be used for cash flow purposes provided that any moneys so allocated are returned to the cash reserve fund by the end of each fiscal year. However, the fund shall be considered a special account for the purposes of section 8.53.

Sec. 15. Section 8.57, subsection 2, Code 1995, is amended to read as follows:

2. Moneys appropriated under subsection 1 shall be first credited to the cash reserve fund. To the extent that moneys appropriated under subsection 1 would make the moneys in the cash reserve fund exceed the cash reserve goal percentage of the adjusted revenue estimate for the fiscal year, the moneys are appropriated to the department of management to be spent for the purpose of eliminating Iowa's GAAP deficit, including the payment of items budgeted in a subsequent fiscal year which under generally accepted accounting principles should be budgeted in the current fiscal year. These moneys shall be deposited into a GAAP deficit reduction account established within the department of management. ~~Unspent moneys in this account shall be available for expenditure for subsequent fiscal years.~~ The department of management shall annually file with both houses of the general assembly at the time of the submission of the governor's budget, a schedule of the items for which moneys appropriated under this subsection for the purpose of eliminating Iowa's GAAP deficit, including the payment of items budgeted in a subsequent fiscal year which under generally accepted accounting principles should be budgeted in the current fiscal year, shall be spent. The schedule shall indicate the fiscal year in which the spending for an item is to take place and shall incorporate the items detailed in 1994 Iowa Acts, chapter 1181, section 17. The schedule shall list each item of expenditure and the estimated dollar amount of moneys to be spent on that item for the fiscal year. The department of management may submit during a regular legislative session an amended schedule for legislative consideration. If moneys appropriated under this subsection are not enough to pay for all listed expenditures, the department of management shall distribute the payments among the listed expenditure items. Moneys appropriated to the department of management under this subsection shall not be spent on items other than those included in the filed schedule. ~~After elimination of the GAAP deficit, including elimination~~

*Amendment not enacted

~~of the making of any appropriation in an incorrect fiscal year, any moneys in the GAAP deficit reduction account shall be appropriated~~ On September 1 following the close of a fiscal year, moneys in the GAAP deficit reduction account which remain unexpended for items on the filed schedule for the previous fiscal year shall be credited to the Iowa economic emergency fund.

Sec. 16. Section 8.57, subsection 5, Code 1995, is amended to read as follows:

5. a. A rebuild Iowa infrastructure account fund is created under the authority of the department of management. Moneys The fund shall consist of appropriations made to the fund and transfers of interest, earnings, and moneys from other funds as provided by law. The fund shall be separate from the general fund of the state and the balance in the fund shall not be considered part of the balance of the general fund of the state. However, the fund shall be considered a special account for the purposes of section 8.53, relating to generally accepted accounting principles.

b. Moneys in the infrastructure fund are not subject to section 8.33. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the infrastructure fund shall be credited to the infrastructure fund.

c. Moneys in the account fund in a fiscal year shall be used as directed by the general assembly for public infrastructure-related expenditures.

d. The general assembly may provide that all or part of the moneys deposited in the GAAP deficit reduction account created in this section shall be transferred to the infrastructure account fund in lieu of appropriation of the moneys to the Iowa economic emergency fund.

Sec. 17. Section 8.58, Code 1995, is amended to read as follows:

8.58 EXEMPTION FROM AUTOMATIC APPLICATION.

To the extent that moneys appropriated under section 8.57 do not result in moneys being credited to the general fund under section 8.55, subsection 2, moneys appropriated under section 8.57 and moneys contained in the cash reserve fund, rebuild Iowa infrastructure fund, and Iowa economic emergency fund shall not be considered in the application of any formula, index, or other statutory triggering mechanism which would affect appropriations, payments, or taxation rates, contrary provisions of the Code notwithstanding.

To the extent that moneys appropriated under section 8.57 do not result in moneys being credited to the general fund under section 8.55, subsection 2, moneys appropriated under section 8.57 and moneys contained in the cash reserve fund, rebuild Iowa infrastructure fund, and Iowa economic emergency fund shall not be considered by an arbitrator or in negotiations under chapter 20.

Sec. 18. NEW SECTION. 8.63 INNOVATIONS FUND.

1. An innovations fund is created in the state treasury under the control of the department of management for the purpose of stimulating and encouraging innovation in state government by the awarding of repayable loans to state agencies.

2. The director of the department of management shall establish an eight-member committee to be called the state innovations fund committee. The committee shall review all requests for funds and approve loans of funds if the committee determines that an agency request would result in cost savings or added revenue to the general fund of the state. Eligible projects are projects which cannot be funded from an agency's operating budget without adversely affecting the agency's normal service levels. Projects may include, but are not limited to, purchase of advanced technology, contracting for expert services, and acquisition of equipment or supplies.

3. A state agency seeking a loan from the innovations fund shall complete an application form designed by the state innovations fund committee which employs a return on investment concept and demonstrates how state general fund expenditures will be reduced or how state general fund revenues will increase. Minimum loan requirements for

state agency requests shall be determined by the committee. As an incentive to increase state general fund revenues, an agency may retain up to fifty percent of savings realized in connection with a loan from the innovations fund. The amount retained shall be determined by the innovations fund committee.

4. In order for the innovations fund to be self-supporting, the innovations fund committee shall establish repayment schedules for each innovation fund loan awarded. Agencies shall repay the funds over a period not to exceed five years with interest, at a rate to be determined by the innovations fund committee.

5. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the innovations fund shall be credited to the innovations fund. Notwithstanding section 8.33, moneys remaining in the innovations fund at the end of a fiscal year shall not revert to the general fund of the state.

Sec. 19. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION V BUDGET SUBMISSIONS

Sec. 20. Section 8.23, unnumbered paragraph 1, Code 1995, is amended to read as follows:

On or before ~~September~~ October 1, prior to each legislative session, all departments and establishments of the government shall transmit to the director, on blanks to be furnished by the director, estimates of their expenditure requirements, including every proposed expenditure, for the ensuing fiscal year, classified so as to distinguish between expenditures estimated for administration, operation, and maintenance, and the cost of each project involving the purchase of land or the making of a public improvement or capital outlay of a permanent character, together with supporting data and explanations as called for by the director. The budget estimates shall include for those agencies which pay for energy directly a line item for energy expenses itemized by type of energy and location. The estimates of expenditure requirements shall be based upon seventy-five percent of the funding provided for the current fiscal year accounted for by program reduced by the historical employee vacancy factor in form specified by the director and the remainder of the estimate of expenditure requirements prioritized by program. The estimates shall be accompanied with performance measures for evaluating the effectiveness of the program. If a department or establishment fails to submit estimates within the time specified, the legislative fiscal bureau shall use the amounts of the appropriations to the department or establishment for the fiscal year in process at the time the estimates are required to be submitted as the amounts for the department's or establishment's request in the documents submitted to the general assembly for the ensuing fiscal year and the governor shall cause estimates to be prepared for that department or establishment as in the governor's opinion are reasonable and proper. The director shall furnish standard budget request forms to each department or agency of state government.

Sec. 21. Section 8.35A, subsection 2, Code 1995, is amended to read as follows:

2. Commencing ~~September~~ October 1, the director shall provide weekly budget tapes in the form and level of detail requested by the legislative fiscal bureau reflecting finalized agency budget requests for the following fiscal year as submitted to the governor. The director shall transmit all agency requests in final form to the legislative fiscal bureau by November 15. Final budget records containing the governor's recommendation and final agency requests shall be transmitted to the legislative fiscal bureau by January 1 or no later than the date the governor's budget document is delivered to the printer. The governor's recommendation included on this record shall be considered confidential by the legislative fiscal bureau until it is made public by the governor. The legislative fiscal bureau shall use this data in the preparation of information for the legislative appropriation process.

Sec. 22. Section 456A.19, unnumbered paragraph 2, Code 1995, is amended to read as follows:

The department shall ~~annually on or before September~~ by October 1 of each year submit to the department of management for transmission to the general assembly a detailed estimate of the amount required by the department during the succeeding year for carrying on the activities embraced in the fish and wildlife division. The estimate shall be in the same general form and detail as required by law in estimates submitted by other state departments.

Approved May 24, 1995, except the items which I hereby disapprove and which are designated as Section 4 in its entirety and that portion of Section 5 which is herein bracketed in ink and initialed by me. My reasons for vetoing these items are delineated in the item veto message pertaining to this Act to the Secretary of State this same date, a copy of which is attached hereto.

TERRY E. BRANSTAD, Governor

Dear Mr. Secretary:

I hereby transmit Senate File 475, an Act relating to state financial provisions and providing applicability provisions and effective dates.

The provisions in Senate File 475 reflect our ongoing effort to continually improve Iowa's finances and financial practices. For example, Iowa's improved financial condition is clearly reflected in the provision which changes the payment dates for Merged Area schools from four times per year, one of which occurred after the close of the fiscal year, to monthly. This will have a direct, positive impact on the cash flow position of the community colleges. Other provisions reflect similar improvement.

Senate File 475 is, therefore, approved on this date with the following exceptions which I hereby disapprove.

I am unable to approve the item designated as Section 4, in its entirety. This item specifies a date by which the salary bill must be submitted to the General Assembly. Because of the complexity of the collective bargaining process and the requirement for multiple agreements, the Governor should have the flexibility to determine the appropriate time to submit the salary bill.

I am unable to approve the designated portion of Section 5, identified as Section 8.22A, new subsection 6. This item would require the revenue estimating conference to develop a projection for medical assistance expenditures. It would be inappropriate to give the body responsible for estimating revenue the task of estimating expenditures. That is clearly not a revenue estimating responsibility.

For the above reasons, I hereby respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 475 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, Governor